

Daily Focus

Malaysia Equity Research PP 12941/04/2010(023526)

3 July 2009

Highlights

Sunway Holdings

Bouncing back (Hold; RM1.16; SGW MK; TP RM1.70)

- Recovery in all 3 core divisions, construction, property and quarry anchoring a 3-year core EPS CAGR of 49%
- Cheapest construction stock on market cap-to-orderbook basis and PE basis (ex TRC).
- 40% discount to sector - Upgrade to BUY, PT RM1.70

Comments

IOI Corp

To seek ventures in South America and Russia (Fully Valued; RM4.74; IOI MK; TP: RM4.40)

According to Bloomberg, IOI Corp plans to invest RM450m (US\$128m) in the current financial year to expand its specialty fats business, of which approximately RM250m would be spent on an existing refinery in Rotterdam and another RM200m in Malaysia, which would supply ingredients to its facilities in Europe and the US.

According to the report, IOI will also seek ventures in South America and Russia to tap new markets for specialty fats. While the company's expansion plans had been previously made public early last year, the group's plan to venture into South America and Russia is a new development.

We are positive on the news, although at this point, we cannot assess their potential contributions yet due to a lack of details. We are maintaining our forecasts and Fully Valued call on the stock (TP RM4.40 based on sum-of-parts method), on valuation grounds.

MISC

Sold 2 old petroleum tankers for RM19m (Fully Valued; RM8.60; MISF MK; TP RM7.05)

MISC announced yesterday that its wholly-owned subsidiary, AET Petroleum Tanker (M) Sdn Bhd, has sold two 15-year old 6,000DWT single-hull product tankers to a Nigerian-based Crown Lines Limited for US\$5.3m (RM18.6m). This is in line with AET's strategy to own and operate a modern fleet of vessels.

We do not expect the sale to have any significant impact on MISC's earnings considering the small size of the vessels relative to MISC's total tanker fleet size of more than 5mil DWT.

Key Indices

	Current	% Chng
KLCI	1,079	-0.1
FBM30	6,975	0.6
FBMEmas	7,222	0.0
FBM 2 nd Board	4,690	-1.1
Daily Volume (m shrs)	907	
Daily Turnover (RMm)	1,158	
Daily Turnover (US\$m)	329	

Source: Bloomberg

Market Key Data

(%)	EPS Gth	Div Yield
2008A	1.1	4.0
2009F	-13.4	3.7
2010F	12.5	3.4

(x)	PER	EV/EBITDA
2008A	14.5	7.9
2009F	16.7	9.0
2010F	14.9	8.2

Source: DBS Vickers

Stock Picks – Large Cap

	Price (RM) 2/7	Target Price
Maybank	5.70	6.30
IJM Corp	5.80	7.00
AMMB	3.46	3.60

Source: Bloomberg; DBS Vickers

Stock Picks – Small Cap

	Price (RM) 2/7	Target Price
MAHB	3.16	4.50
Litrak	2.48	2.70
Axis REIT	1.53	1.80

Source: Bloomberg; DBS Vickers

Assuming a full exceptional gain of US\$5.3m (RM18.6m) (as its book cost was not disclosed), this one-off item could potentially contribute 1.2% to our FY10F earnings.

Maintain Fully Valued with SOP-derived TP of RM7.05.

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Company Focus

Sunway Holdings

Bloomberg: SGW MK | Reuters: SGWM.KL

Malaysia Equity Research PP 11272/04/2010(023521)

3 Jul 2009

BUY RM1.16 KLCI : 1,078.71

(Upgrade from Hold)

Price Target : 12-Month RM1.70 (Prev RM 1.00)

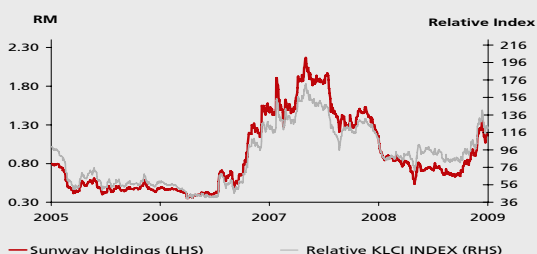
Reason for Report : Company visit

Potential Catalyst: Government pump priming, overseas contracts

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Price Relative



Forecasts and Valuation

FY Jun (RM m)	2008A	18M2009F	2010F	2011F
Turnover	1,823	2,304	2,089	2,477
EBITDA	220	263	280	299
Pre-tax Profit	129	163	170	189
Net Profit	101	118	120	139
Net Pft (Pre Ex.)	101	94	120	139
EPS (sen)	18.4	21.5	21.8	25.4
EPS Pre Ex. (sen)	18.4	17.1	21.8	25.4
EPS Gth Pre Ex (%)	(1,114)	(7)	28	17
Diluted EPS (sen)	12.7	14.8	15.1	17.6
Net DPS (sen)	0.0	0.0	0.0	0.0
BV Per Share (sen)	110.1	131.4	153.2	178.6
PE (X)	6.3	5.4	5.3	4.6
PE Pre Ex. (X)	6.3	6.8	5.3	4.6
P/Cash Flow (X)	4.8	5.6	6.0	4.0
EV/EBITDA (X)	5.7	5.1	4.6	4.4
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	1.1	0.9	0.8	0.6
Net Debt/Equity (X)	0.9	0.9	0.7	0.6
ROAE (%)	18.2	17.8	15.4	15.3
Earnings Rev (%):		18.4	40.4	40.3
Consensus EPS (sen):		16.3	18.2	19.4

ICB Industry : Industrials

ICB Sector: Construction & Materials

Principal Business: Construction, property, quarry, trading and building materials

Bouncing back

- Recovery in all 3 core divisions, construction, property and quarry anchoring a 3-year core EPS CAGR of 49%
- Cheapest construction stock on market/cap-to-orderbook basis and PE basis (ex TRC).
- 40% discount to sector - Upgrade to BUY, PT RM1.70

Upgrade to BUY, PT RM1.70. We are upgrading Sunway to BUY with a revised PT of RM1.70 based on our SOP value. Our upgrade is premised on a combination of i) cheap valuations at 7.7x FD CY10 PE, a 40% discount to the sector average of 12.8x and 51% discount to its larger cap peers of 15.6x; ii) strong earnings recovery with 3-year core EPS CAGR of 49% with continued improvement in its core businesses of construction, quarry and property and iii) visibility of contract flows improving. We have raised FY10-FY11 EPS by 40% while its on-going asset disposal programme will see a reduction in gearing levels. In our view, there should also be some scarcity premium attached to Sunway with its exposure to China.

Visibility of contract flows improving. We expect more buoyant contract wins for Sunway in the coming quarters after clinching an additional RM326m contract for Rihan Heights recently. We are confident of Sunway achieving at least RM1bn of new orders by end-2009 coming from a combination of government jobs, private contracts and India highway projects.

Recovery in property and quarry. Sunway's local property projects are unexciting but its Singapore projects look like sure winners. Its second project, Toa Payoh 1A which is also on a DBSS scheme was open for registration in April 2009. The project has a GDV of SGD680m where Sunway has a 30% stake. Upon closing of balloting, there were 2,900 applicants for the 1,203 units available. We understand take up rates have reach 60%, partially hampered by the ethnic integration policy. For its quarry division, its c. RM270m 5-year Trinidad contract and the two local stimulus packages locally are expected to underpin growth. A potential wildcard is acquisition of Hanson's quarries locally.

At A Glance

Issued Capital (m shrs)	548
Mkt. Cap (RMm/US\$m)	636 / 181
Major Shareholders	
Tan Sri Dato Jeffrey Cheah	47.0
EPF	5.0
Free Float (%)	48.0
Avg. Daily Vol.('000)	1,764

Sunway Holdings

Upgrade to BUY, PT of RM1.70

We are upgrading our rating on Sunway to BUY with a higher price target of RM1.70 based on our higher sum-of-parts value. This translates into an implied PE of 11.1x CY10 EPS.

Our upgrade on the stock is premised on a combination of :-

- i) cheap valuations at a steep discount to larger cap peers,
- ii) strong earnings recovery with a 3-year core EPS CAGR of 49% from continued improvement in its core businesses of construction, quarry and property;
- iii) more visible contract wins for its construction division; and
- iv) stronger balance sheet post its asset disposal programme.

In our view, there should also be some scarcity premium attached to Sunway as it is one of the few local contractors which has exposure to China market.

Valuations vs its peers

Sunway trades at CY09 FD PE of 11.7x, falling to 7.7x in CY10 vs the sector average of 20.4x and 12.8x CY09 and CY10 respectively. The disparity is more apparent when comparing against the larger cap construction stocks (>RM1bn market cap) of IJM, Gamuda, MRCB and WCT which trade at an average PE of 25.6x and 15.6x in CY09 and CY10 respectively. It is also the cheapest stock on a PE basis in CY10 excluding TRC Synergy. Please refer to Figure 1.

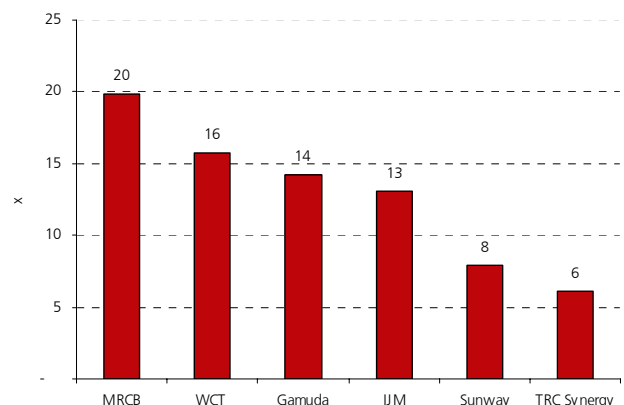
We think it is only meaningful to compare historical valuations of Sunway in 2008 vs its peers. This is because it was loss making prior to 2008 having only completed its restructuring of Sunway Infrastructure in 2007. Based on its historical trading range, Sunway traded at a historical rolling one-year forward PE of 10.2x in 2008 vs the average of 18.9x for IJM, Gamuda, MRCB and WCT. This is a discount of 46%.

This compares to the current average CY10 discount of 51%. We think the discount is not warranted given the completion of its restructuring. We expect the discount to narrow as it

delivers on earnings from its relatively secured orderbook and maiden earnings from China filters through.

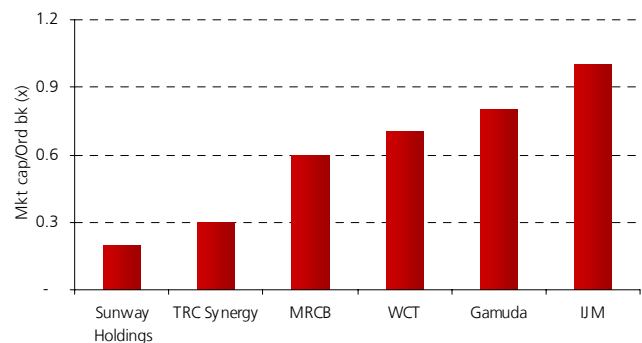
From a market cap to orderbook ratio perspective, the discount is more profound at 73%. Sunway is also the cheapest construction stock on a market cap to orderbook ratio basis at 0.2x. Please see Figure 2.

Figure 1 : Cheapest on CY10 PE basis (ex TRC)



Source: DBS Vickers, Company

Figure 2 : Cheapest on a market cap/orderbook ratio



Source: DBS Vickers, Company

Raising FY10-FY11 EPS by 40%

We are raising our FY10-FY11 EPS by 40% respectively to factor in :-

- i) its newly clinched AED 343m (RM326m) contract for its Rihan Heights – Arzanah Development. This contract will be at the subsidiary level and hence there will be revenue recognition;

- ii) higher orderbook replenishment assumptions of RM0.8bn-RM1bn for FY09-FY11 vs RM500m previously for the same period. We have assumed new orders from its China geotechnical division is included in our new order assumptions;
- iii) higher overall margins for new contracts of 8-9% vs 5% previously;
- iv) stronger take up rates for its Singapore property projects and
- v) modelling in contribution from China for its building material division of RM28m in revenue and RM5m in pretax profit for FY09. This increases to RM60m and RM11-12m in revenue and pretax profit respectively for FY10-FY11.

We have also raised our FY09 EPS to take into account the one-off gain of RM24m from the sale of Hanoi Hotel. With the revision in our forecasts, we are projecting a strong 3-year core EPS CAGR of 49%, which will be underpinned predominantly from its RM1.8bn Rihan Heights contract in Abu Dhabi, RM270m Trinidad quarry contract and SGD680m Singapore property project in Toa Payoh.

Bouncing back - Improvement in three core divisions.

We think current valuations do not yet reflect Sunway's improving business prospects. With expected improvement in all three core divisions : - i) construction; ii) property; and iii) quarry, coupled with more imminent contract flows from government pump priming, we think the market has underappreciated Sunway.

1) Construction

Sunway has currently an orderbook of RM3.6bn inclusive of an additional RM326m contract for Abu Dhabi-Rihan Heights clinched recently. Including just its share of the projects, its orderbook is RM3.0bn. Please see Figure 3 for a list of its outstanding orderbook.

The single largest project in its orderbook is its Abu Dhabi-Rihan Heights contract in Abu Dhabi where it has a 60% equity stake. This will buoy construction earnings over FY09-FY10. The project has been 10% completed so far and is slated for completion in 2010. However this project is captured at the associate profit level in spite of Sunway

owning a 60% stake. This is because under the current accounting rules, the project is recognized as a JV controlled entity.

In spite of the current lower risk appetite towards Middle East jobs, we think this project has minimal default/cancellation risk as i) project is already 86% sold out as at 8 April 2009; ii) client is an established party – Capitala, a JV with CapitaLand and a 100% government-owned company; and iii) collection is on a monthly basis while there was also a 10% advance payment for working capital. Sunway's 40% local partner is Silvercoast which has niche in doing small government jobs. We understand Sunway is looking to leverage on its relationship with Silvercoast to bid for more jobs.

The other large foreign job is a RM457m Singapore precast job which is expected to commence soon. This will cater for its soon-to-be launched Toa Payoh property project and another private property project in Singapore.

On the local side, the largest contract is a Putrajaya government building job with an outstanding value of RM463m. Progress thus far has been strong and has reached the 20th floor. Payment has also been prompt.

Figure 3 : Construction orderbook outstanding

	RMm
Local	
SKVE (Highway)	169.0
Precint 11 Putrajaya	50.0
Precint 17 Putrajaya	13.0
KLCC Mosque Extension	13.0
Putrajaya Government office building	463.0
Others	77.0
Total local projects	785.0
Foreign	
India (UP4, RJ9 and Coachin Highways)	292.0
Singapore precast	457.0
Trinidad - MLA Tower	20.0
Abu Dhabi - Al Reem Island (Zone C)	95.0
Abu Dhabi - Rihan Heights (Arzanah Dev)	1,673.0
Abu Dhabi - Rihan Heights (Mech Eng)	326.0
Total overseas projects	2,863.0
Outstanding construction orderbook	3,648.0

Source: Company, DBS Vickers

Orderbook replenishment underway

We think contract wins should pick for Sunway in the coming quarters. Figure 4 shows 5 potential new jobs to be clinched by Sunway by end-2009 totalling RM2bn. We are fairly confident of Sunway achieving at least half of this or RM1bn.

Some of these projects are as follows : -

- i) RM300m government building job where Sunway submitted the lowest tender;
- ii) RM100m high-end factory in Cyberjaya;
- iii) RM100m 3-star hotel in Putrajaya;
- iv) RM500m worth of Sunway City's new launches; and
- v) RM1bn in Indian highway jobs which is funded by the Japan International Cooperation Agency.

Figure 4 : Potential contracts in the pipeline

	Amount	Comment
	RMm	
Government building job	300	Sunway submitted the lowest tender one month ago Results should be out before end-2009
High end factory, Cyberjaya	100	Contract from the private sector
3-Star hotel, Putrajaya	100	GLC related contract
Sunway City's property projects	500	Will recognise profit and cashflow as there is no cross holdings
India highway projects	1000	Bidding for 3 packages (30km) worth RM1bn Funded by Japan International Cooperation Agency JICA provides 10% advanced payment Will ensure continuity for its Indian projects and is able to mobilise existing machinery and workers
Total	2000	

Source: Company, DBS Vickers

Margin recovery

For the past 3 quarters, Sunway's construction margins have been muted. Apart from 2QFY09, margins have been a paltry 1.6% similar to the larger contractors of IJM and Gamuda. Recovery has been quite muted because its local jobs such as Putrajaya building job and South Klang Valley Expressway have yet to reach the 20% threshold for meaningful profit recognition. We expect this to occur in the next one to two quarters.

To note that, its higher margin jobs like Abu Dhabi-Rihan Heights with margins of at least 10% are only captured at the associate profit level and not in its segmental results. This distorts a fair representation of its construction earnings and margins.

We are expecting blended construction margins (ex-Abu Dhabi-Rihan Heights) of 3.7% in FY09, rising to 6.5% in FY10 and 7.9% in FY11.

Sensitivity analysis assuming different orderbook assumptions

We show in Figure 5, a sensitivity analysis on our FY10 EPS and corresponding price target assuming different orderbook replenishment assumptions. Our base case orderbook replenishment assumption is RM1bn for FY10, on which Sunway will trade at a PE of 7.7x. At the most positive extreme, assuming new order wins of RM2bn in FY10 will result in a lower PE of 6.7x. However, at the most conservative extreme, assuming zero contract wins will result in a higher PE of 9.0x.

Figure 5 : Sensitivity Analysis assuming different order wins

	Base case				
	0	500	1,000	1,500	2,000
FY10 orderbook replenishment (RMm)	0	500	1,000	1,500	2,000
CY10 FD EPS (sen)	12.8	13.9	15.1	16.2	17.3
PE (x)	9.0	8.3	7.7	7.2	6.7

Source: DBS Vickers, Company

2) Property – Niche Singapore property selling out

Apart from Sunway's project in Taman Melawati called Sunway Rydgeway (GDV RM147m) which was launched in October 2008, its other local property projects are less exciting.

However, its projects in Singapore have been very promising. Sunway's first Singapore based project, Boon Keng, which was on a Design-Build-Sell-Scheme (DBSS) was a runaway success with take-up rates of 90% after its initial launch in January 2009. Construction has reached 60% completion and 40% of the project has only been recognized so far in its profit and loss account.

For investors not too familiar with the DBSS scheme, it is basically a step above the HDB projects in Singapore. It caters for the sandwich class where household income cannot exceed SGD8,000 per month.

Its second project, Toa Payoh 1A which is also on a DBSS scheme was open for registration in April 2009. The project has a GDV of SGD 680m where Sunway has a 30% stake. Upon closing, there were 2,900 applicants for the 1,203 units available. We understand take-up rates have reached 60%. This is partly due to the ethnic integration policy ruling which states that a certain percentage of units has to be allocated

for different races. Construction risk is relatively muted as its partner Hoi Hup is also the contractor.

3) Quarry

While its Singapore contract will come to an end in July 2009, this will be made up by its Trinidad contract. Sunway has a contract with the government of the Republic of Trinidad and Tobago to supply a minimum of 1m tonnes of aggregate per year for 5 years with an option to renew for another five years. At a fixed price of RM54/tonne, this contract is worth circa RM270m for the 5-year period. The contract commenced in July 2008 but we understand orders have been slow so far.

On the local front, the pricing structure of aggregates has stabilized at RM22 per tonne from RM15 per tonne in 2007 and RM19 per tonne in January 2008. Demand is also expected to pick up in 2H08 following the full roll out of the stimulus packages. We are modelling higher utilization rates of 70% in 2009, rising to 75% for both FY10 and FY11. This compared to 65% previously.

A potential wild card is synergistic acquisitions locally. Sunway currently has 7 quarry plants with a production capacity of 670,000 tonnes a month while its asphalt plants have a total monthly production of 101,000 tonnes. Estimated market share of aggregates is 10% while asphaltic premix is 20%. We understand that Sunway may potentially purchase some of Hanson's quarry plants which were previously owned by Sunway. Sunway sold the quarries in 1997 to help pare down its Euro bond. This is still very fluid and depends heavily on pricing and the ability to leverage on a JV partner to lessen the burden on its balance sheet.

China story – a potential sweetener

Sunway has a presence in China via its 66%-owned subsidiary, Sunway Global. The other shareholders are Goldman Sachs (32%) and other key employees working on the ground in China (2%). There are currently 4 divisions – building materials manufacturing, geotechnical services, industrial products manufacturing and trading.

The two more impactful divisions are its building materials manufacturing and its geotechnical division. Its geotechnical division has a 100m yuan contract which commenced in May 2009 for tunnel boring and foundation works. This has largely been factored into our forecasts under the construction segment.

As for its building materials division, its spun piles division has an annual production capacity of 400,000 tonnes per annum which translates into a maximum revenue of RM70m assuming an average selling price of 400 yuan. This division is a key beneficiary from the 4 trillion yuan stimulus package. We understand production will commence in 3Q09. Its manufacturing of pavers division, which has a plant each in Shanghai and Dongguan, has a combined capacity of 1.9meter-squared per annum. We estimate that maximum potential revenue from both plants is RM33m.

We are projecting earnings from China to contribute 5% of FY09 pretax profit rising to 8% in FY11. This is assuming average utilizations of 80-85% for its building materials division and muted orders for its geotechnical division.

Degearing exercise

Sunway has cited some RM155m of non-core assets to be disposed of under an asset disposal programme. This has already started when it announced the disposal of a hotel in Hanoi for US\$17m (RM59.3m) to Sunway City. The net book value of the hotel as at 30 June 2008 was RM20.7m while the purchase price works out to be circa RM418,000 per room. This appears roughly in line with the valuations for 3-4 star hotels in Malaysia.

The expected gain on disposal is RM24.0m or RM0.04 per share after deducting estimated expenses of RM200k and write-off of debt of RM40.1m. The estimated time of completion will be by end-2009.

Total cash proceeds of RM59.3m will be used as follow :- RM20.9m to pare down borrowings; RM38.2m for working capital and RM0.2m for expenses. Sunway's net gearing level is expected to improve from 1.2x as at 31 March 2009 to 1.1x.

Other asset disposals are also property related (Please see Figure 6). Assuming all the asset disposals materialize at those prices, Sunway's net gearing will fall to a more manageable 0.7x vs the current 0.9x.

Figure 6 : Potential asset disposal

	RMm	Comments
Wisma Mas, Shah Alam	40.0	In advanced stages of negotiation
Serendah Land	10.0	In advanced stages of negotiation
Hanoi Hotel	59.3	Disposed to Sunway City
Subang Square	36.0	
Plaza Pantai	10.0	
Total	155.3	

Source: Company, DBS Vickers

Proposes private placement

Sunway has announced a proposed private placement of up to 10% of its issued and paid up share capital. Based on a maximum scenario which assumes 24.7m treasury shares are resold, 25.7m ESOS and full exercise of 246.7m warrants, the size of the placement will be up to 82.0m new shares. Based on a minimum scenario, the placement exercise amounts to 52.3m new shares.

The placement may be implemented in tranches depending on market sentiment and negotiations with investors which may be via a placement agent or a book-building process. Utilisation of proceeds will be for working capital purposes and to reduce bank borrowings but there was no breakdown given as yet. We think part of the rationale of the exercise is also to address its bumiputera requirement as Sunway is required to increase its bumiputera equity shareholding by 4.23%.

The issue price of the placement shares will be determined at a later date. Assuming a conservative placement price of RM1.00 which is its par value, the exercise will raise between RM52m to RM82m. We suspect the majority of the placement will be used for working capital purposes rather than to pare down borrowings given it already has an asset disposal programme in place to reduce net gearing levels from the current 0.9x.

While there could potentially be dilution in FY10 EPS by as much as 8-9% assuming no interest savings from paring down of borrowings, the placement could also be viewed as a sign that contract flows will be more forthcoming giving the need for higher working capital requirements.

We have not adjusted our EPS pending approval from the SC which is expected within the next six months. Sunway has just submitted the proposal to the SC.

SOP derived target price of RM1.70

We have assembled a sum-of-parts to derive our price target of RM1.70 for Sunway. While we have used PE to value our core construction universe, we are more comfortable using SOP for Sunway given there is a lack of a historical trading range as Sunway was loss making in the earlier years. For all its divisions, we have used average two year forward earnings for CY10 and CY11 to better reflect a fairer representation of the strength of its earnings recovery.

The workings for our SOP calculation are as follows :-

- i) For its construction division, we have valued it at a PE of 10x. This is at a discount to our construction universe sector average of 12.8x and a 38-50% discount vs our target multiples for the large cap like IJM and Gamuda.
- ii) For its property division, we have valued it at a PE of 10x. This is also at a 20% discount to the sector average. We think the multiple is conservative given that earnings for the next year is predominantly from its highly lucrative and strong performing DBSS projects in Singapore;
- iii) For its quarry division, we have used a PE of 9x which represents a 10% discount to our target multiple of Lafarge Malayan Cement. We have used Lafarge as there is a lack of listed quarry players;
- iv) For its building materials division, we have used a PE of 8x reflecting the sector average. Earnings for this division would have captured growing contributions from China; and
- v) For its trading division, we have valued at a conservative PE of 5x .
- vi) We have tentatively included additional 10% or 79m new shares from its placement exercise based on our current enlarged share base of 794m. This is likely conservative as it assumes full conversion of its 247m warrants and 26m ESOS. We have also assumed that 40% of the total proceeds RM85m (based on placement price of RM1.07 being 10% discount to market price) of will be used to pare down borrowings.

In terms of breakdown for the contribution to our total SOP value, construction is the highest at RM0.64 per share, followed by property at RM0.25 per share and quarry at RM0.14 per share.

Figure 7 : SOP value for Sunway

Major divisions	Value (RMm)	SOP/share (sen)	Remarks
Construction (10x CY10 PER)	936.1	0.64	20% discount to sector average on 2-year average forward earnings
Property (10x CY10 PER)	356.3	0.25	20% discount to sector average based on 2-year average forward earnings
Quarry (9x CY10 PER)	198.5	0.14	10% discount to early midcycle PE based on 2-year average forward earnings
Building materials (8x CY10 PER)	111.4	0.08	In line with sector's average PER based on 2-year average earnings
Trading (5x CY10 PE)	94.9	0.07	Sector average based on 2-year average earnings
Cash from warrants conversion	319.8	0.22	
Net debts	(564.6)	(0.39)	
Total	1,452.5		
FD share cap (m) *	873.4		
SOP/share (RM)	1.67		
Implied CY10 FD PE	11.1		

Source: DBS Vickers, Company

Fig.8 - Cashflow Summary and Comments

FYE Dec (RMm)	1Q09	2Q09	3Q09	2009F	2010F	2011F	Comments
Cash From Operations	37.8	(4.7)	55.7	20.9	197.0	80.6	Improvement in 3QFY09 due to tailing off of some projects.
Cash from Investing Activities	(85.0)	(29.5)	(29.1)	(100.0)	(100.0)	(100.0)	Investments in plant & equipment and associate companies in China.
Cash from Financing Activities	66.0	(15.9)	(14.9)	142.0	6.2	23.8	New loans to finance new construction projects.
Net Changes in Cash	20.8	(51.3)	12.9	62.9	103.2	4.5	
Currency Adjustments	2.1	(1.1)	2.2	0.0	0.0	0.0	
Cash at beginning of period	117.5	138.3	87.1	117.5	180.4	283.6	
Cash at end of period	138.3	87.1	100.0	180.4	283.6	288.1	
Net Changes in Cash	20.8	(51.3)	12.9	62.9	103.2	4.5	

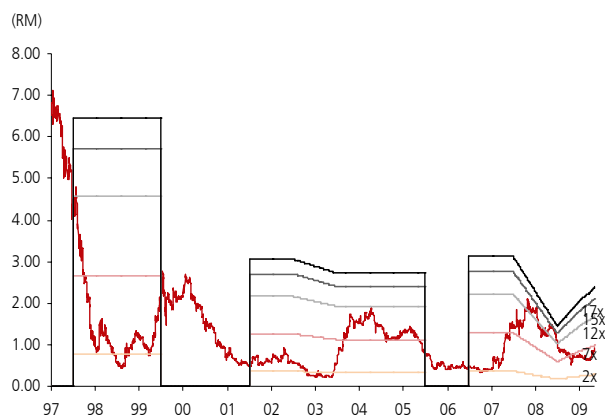
Source: DBS Vickers, Company

Sector Comparison

Company	Price (RM)	Target (RM)	Rating	Diluted P/E (x)	Mkt cap (RMb)	Est. Order Bk (RMb)	Mkt cap/ ord bk (x)	Net tangible asset (RM)	P/NTA (x)	
				CY09	CY10					
Gamuda	2.74	3.50	Buy	21.6	14.3	5.5	6.3	0.9	1.34	2.0
IJM	5.80	7.00	Buy	16.6	13.3	5.5	5.2	1.0	5.29	1.1
WCT	2.10	1.35	Fully Valued	14.1	15.8	1.6	2.2	0.7	1.55	1.4
MRCB	1.19	1.50	Buy	49.6	18.9	1.1	1.8	0.6	0.79	1.5
Sunway Holdings	1.16	1.70	Buy	11.7	7.7	0.6	3.0	0.2	1.10	1.1
TRC Synergy	1.37	1.30	Hold	7.1	6.7	0.2	0.7	0.3	1.41	1.0
Average				20.1	12.8			0.6		1.3

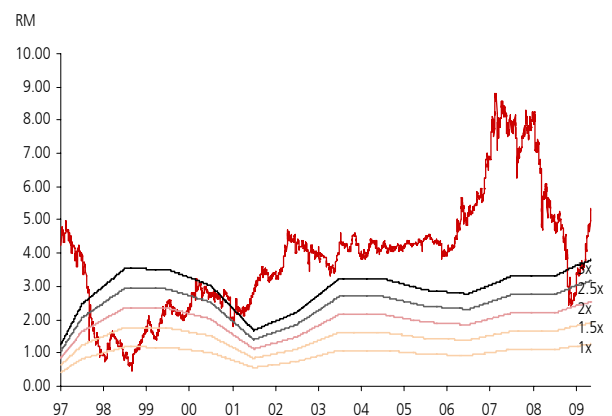
Source: DBS Vickers, Company

Sunway: 1-yr forward PE range



Source: DBS Vickers, Company

Sunway: 1-yr forward P/BV range



Sunway Holdings

Income Statement (RM m)

FY Jun	2008A	18M2009F	2010F	2011F
Turnover	1,823	2,304	2,089	2,477
Cost of Goods Sold	(1,404)	(1,790)	(1,601)	(1,921)
Gross Profit	419	515	488	555
Other Opng (Exp)/Inc	(269)	(357)	(321)	(337)
Operating Profit	150	158	167	218
Other Non Opq (Exp)/Inc	0	0	0	0
Associates & JV Inc	19	55	63	31
Net Interest (Exp)/Inc	(41)	(75)	(60)	(60)
Exceptional Gain/(Loss)	0	24	0	0
Pre-tax Profit	129	163	170	189
Tax	(26)	(41)	(43)	(47)
Minority Interest	(3)	(4)	(8)	(2)
Preference Dividend	0	0	0	0
Net Profit	101	118	120	139
Net Profit before Except.	101	94	120	139
EBITDA	220	263	280	299
Sales Gth (%)	(4.3)	26.4	(9.4)	18.6
EBITDA Gth (%)	290.9	19.9	6.3	6.9
Opq Profit Gth (%)	134.5	5.4	5.4	31.1
Net Profit Gth (%)	(1,128.2)	16.9	1.7	16.5
Effective Tax Rate (%)	19.9	25.0	25.0	25.0

Cash Flow Statement (RM m)

FY Jun	2008A	18M2009F	2010F	2011F
Pre-Tax Profit	129	163	170	189
Dep. & Amort.	50	50	50	50
Tax Paid	(39)	(13)	(41)	(43)
Assoc. & JV Inc/(loss)	0	(55)	(63)	(31)
Chg in Wkg.Cap.	(61)	(134)	46	(91)
Other Operating CF	0	0	0	0
Net Operating CF	79	11	163	75
Capital Exp.(net)	(81)	(50)	(50)	(50)
Other Invt.(net)	0	0	0	0
Invt in Assoc. & JV	1	(50)	(50)	(50)
Div from Assoc & JV	0	0	0	0
Other Investing CF	110	0	0	0
Net Investing CF	31	(100)	(100)	(100)
Div Paid	(2)	0	0	0
Chg in Gross Debt	76	142	6	24
Capital Issues	0	0	0	0
Other Financing CF	(115)	0	0	0
Net Financing CF	(42)	142	6	24
Net Cashflow	68	52	69	(1)

Quarterly / Interim Income Statement (RM m)

FY Jun	4Q2008	1Q2009	2Q2009	3Q2009
Turnover	577	467	452	382
Cost of Goods Sold	(554)	(449)	(426)	(380)
Gross Profit	23	18	25	2
Other Oper. (Exp)/Inc	4	9	8	11
Operating Profit	28	27	34	13
Other Non Opq (Exp)/Inc	0	0	0	0
Associates & JV Inc	9	9	5	14
Net Interest (Exp)/Inc	(12)	(10)	(12)	(9)
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	25	27	27	18
Tax	(7)	(8)	(6)	(2)
Minority Interest	(1)	(1)	(5)	0
Net Profit	18	18	15	16
Net profit bef Except.	18	18	15	16
Sales Gth (%)	61.9	(19.1)	(3.3)	(15.5)
Opq Profit Gth (%)	(18.5)	(1.6)	24.1	(61.1)
Net Profit Gth (%)	(27.4)	0.9	(13.5)	0.4
Gross Margins (%)	4.0	3.9	5.6	0.5
Opq Profit Margins (%)	4.8	5.8	7.5	3.5
Net Profit Margins (%)	3.1	3.8	3.4	4.1

Balance Sheet (RM m)

FY Jun	2008A	18M2009F	2010F	2011F
Net Fixed Assets	331	331	331	331
Invt in Associates & JVs	90	195	308	389
Other LT Assets	340	340	340	340
Cash & ST Invt	139	192	261	259
Inventory	287	326	290	350
Debtors	792	915	830	984
Other Current Assets	54	54	56	57
Total Assets	2,032	2,353	2,416	2,711
ST Debt	254	305	366	439
Other Current Liab	659	716	645	774
LT Debt	456	547	493	443
Other LT Liabilities	14	14	14	14
Shareholder's Equity	603	720	840	979
Minority Interests	47	51	59	61
Total Cap. & Liab.	2,033	2,353	2,416	2,710
Non-Cash Wkg. Capital	473	579	530	617
Net Cash/(Debt)	(571)	(660)	(598)	(623)

Rates & Ratio

FY Jun	2008A	18M2009F	2010F	2011F
Gross Margins (%)	23.0	22.3	23.3	22.4
Opq Profit Margin (%)	8.2	6.9	8.0	8.8
Net Profit Margin (%)	5.5	5.1	5.7	5.6
ROAE (%)	18.2	17.8	15.4	15.3
ROA (%)	4.9	5.4	5.0	5.4
ROCE (%)	9.1	7.9	7.3	8.8
Div Payout Ratio (%)	0.0	0.0	0.0	0.0
Net Interest Cover (x)	3.7	2.1	2.8	3.6
Asset Turnover (x)	0.9	1.1	0.9	1.0
Debtors Turn (avg days)	178.2	135.2	152.4	133.6
Creditors Turn (avg days)	191.2	138.7	150.4	129.7
Inventory Turn (avg days)	78.3	64.3	72.5	62.5
Current Ratio (x)	1.4	1.5	1.4	1.4
Quick Ratio (x)	1.0	1.1	1.1	1.0
Net Debt/Equity (X)	0.9	0.9	0.7	0.6
Net Debt/Equity ex MI (X)	0.9	0.9	0.7	0.6
Capex to Debt (%)	11.4	5.9	5.8	5.7
Z-Score (X)	1.4	1.4	1.7	1.7
N. Cash/(Debt)PS (sen)	(104.1)	(120.5)	(109.0)	(113.7)
Opq CFPS (sen)	25.6	26.4	21.2	30.3
Free CFPS (sen)	(0.3)	(7.2)	20.5	4.5

Segmental Breakdown / Key Assumptions

FY Jun	2008A	18M2009F	2010F	2011F
Revenues (RM m)				
Construction	955	1,282	1,174	1,444
Property	46	184	230	322
Trading	286	309	333	350
Quarry	334	342	191	201
Others	201	140	146	152
Total	1,823	2,304	2,089	2,477
EBIT (RM m)				
Construction	20	47	77	115
Property	16	20	25	35
Trading	35	27	25	26
Quarry	69	58	29	30
Others	10	6	12	13
Total	150	158	167	218
EBIT Margins (%)				
Construction	2.1	3.7	6.5	7.9
Property	34.7	10.8	10.8	10.8
Trading	24.2	8.9	7.4	7.4
Quarry	20.7	17.0	15.0	15.0
Others	4.8	4.1	8.2	8.5
Total	8.2	6.9	8.0	8.8

Source: Company, DBS Vickers

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Daily Focus

Malaysia Equity Research PP 12941/04/2010(023526)

3 July 2009

Wired Daily

Previous day's action: [Malaysia Market Roundup](#)

<u>Index Performance</u>						
	High	Low	Volatility (pts)	Close	Chg (pts)	Chg (%)
KLCI	1083.25	1075.06	8.19	1078.71	-0.69	-0.06
FBM30	6996.34	6927.39	68.95	6974.97	38.94	0.56
FBM Emas	7257.22	7196.01	61.21	7221.87	-0.78	-0.01
FBM Second Board	4753.51	4661.21	92.30	4689.75	-51.53	-1.09
FBM Mesdaq	4045.49	3983.58	61.91	3998.98	-31.86	-0.79

<u>Leading KLCI Movers</u>				<u>Lagging KLCI Movers</u>			
	Close (RM)	Chg (%)	Index point		Close (RM)	Chg (%)	Index point
BCHB	9.55	4.9	2.93	Maybank	5.70	-2.6	-1.93
Sime Darby	7.25	2.8	2.19	Tenaga Nasional	7.60	-0.7	-0.39
IOI Corporation	4.74	0.9	0.45	KNM Group	0.78	-5.5	-0.33

<u>Trading Activity</u>				<u>Market Breadth</u>		
	Previous day	2 days before	5-day mov average		Previous day	2 days before
Volume (m units)	906.7	801.0	1015.4	Gainers:	204	219
Value (RMm)	1157.9	883.3	1129.9	Losers:	405	388
Avg price/unit(RM)	1.28	1.10	1.11	Unchanged:	222	203

<u>Top 5 gainers (by %) over the past 5 market days</u>			<u>Top 5 losers (by %) over the past 5 market days</u>		
	Close (RM)	Chg (%)		Close (RM)	Chg (%)
Ingress Corp	0.39	92.5	Luster Industries	0.03	-50.0
EP Manufacturing	0.37	69.8	Silver Ridge	0.14	-26.3
Global Soft	0.07	30.0	Emico	0.40	-21.6
Connectcounty	0.03	25.0	GSB Group	0.05	-18.2
Ecofuture	0.05	25.0	Inix Technologies	0.05	-18.2

<u>KLCI Futures</u>				<u>Currencies & Commodities</u>			
	Close	Previous day	Chg (%)		Close	Previous day	Chg (%)
Spot month	1070.50	1083.00	-1.2	RM per 1 USD	3.52	3.52	0.0
Aug-09	1066.00	1081.50	-1.4	RM per 1 Euro	4.96	4.95	0.2
Sep-09	1063.50	1075.50	-1.1	RM per 100 Yen	3.67	3.64	0.8
Dec-09	1053.00	1065.00	-1.1	CPO 3-mth fwd (RM/t)	2,175	2,259	-3.7
				Crude Oil (US\$/b)	66.73	69.31	-3.7

Today's Market Preview

If investors have been waiting for fresh leads to surface – thus contributed to the flattish market performance over the last five days – a trigger has emerged to prompt them to take profit today. In which case, the benchmark Kuala Lumpur Composite Index (KLCI) may sink below its first support level of 1,070, possibly heading towards the next support mark of 1,050 thereafter.

Essentially, selling pressures should intensify following the overnight plummet on Wall Street, which saw its key equity indices plunging between 2.6% and 2.9% on worries that rising unemployment data could derail the economic recovery momentum.

Back home, an update on the Malaysian economy will be watched too, with the May external trade statistics due for release today. Consensus is projecting a y-o-y drop of 28.8% for exports and 23.9% for imports, translating to a monthly trade surplus of RM8.7b. Meanwhile, today is also the last day for the KLCI to exist in its existing form, to be replaced by the new FBM KLCI effective next Monday. Accordingly, last minute portfolio rebalancing by index-tracking funds to realign with the new constituent weightings may skew individual counters today, potentially lifting the beneficiaries (like Genting Malaysia, YTL Power, Parkson, BCHB, Public Bank) and dragging down the losers (such as IJM Corp, Gamuda, LM Cement, PGas and MISC).

Malaysia Research Team – 603-2711 2222

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Refer to important disclosures at the end of this report.

Off-market Transactions on Bursa Malaysia (Top 10 Trades by Volume)

2-Jul-2009	Volume (units)	Value (RM)	Average price (RM)
KNUSFOR	30,000,000	48,000,000	1.60
COMPUGT	28,780,000	1,295,100	0.05
OLYMPIA	5,830,000	1,399,200	0.24
PDZ	2,700,000	270,000	0.10
KNM	2,000,000	1,740,000	0.87
PETGAS	1,950,000	19,110,000	9.80
NAKA	1,800,000	1,080,000	0.60
MEDAINC	1,380,000	138,000	0.10
PLUS	1,300,000	4,186,000	3.22
IOICORP	602,100	2,842,513	4.72

IPO Corner

<i>Stock</i>	<i>Offer Closing Date</i>	<i>Issue Price (RM/share)</i>	<i>Number of Shares Public Issue</i>	<i>Number of Shares Offer For Sale</i>	<i>Listing Sought</i>	<i>Expected Date of Listing</i>	<i>Principal Activity</i>
Xingquan Intl Sports Holdings Ltd	30-Jun-09	RM1.71 [^]	92.2m ^{^^}	-	Main	10-Jul-09	Sports shoe manufacturer based in China.
Handal Resources Bhd	14-Jul-09	RM0.72	18.5m	6.0m	Second	30-Jul-09	Manufacturer of offshore pedestal cranes that is licensed by the American Petroleum Institute (API).
Multisports Holdings Ltd	t.b.a.	t.b.a.	t.b.a.	t.b.a.	Main	End-Jul-09	Shoe sole manufacturer based in China.
TA Global Bhd	t.b.a.	RM0.50	350.0m	t.b.a.	Main	Oct-09	Property investment or REIT.
CapitaLand REIT	t.b.a.	t.b.a.	t.b.a.	t.b.a.	Main	t.b.a.	Real Estate Investment Trust.
Tatt Giap Group	t.b.a.	t.b.a.	t.b.a.	t.b.a.	Main	t.b.a.	Manufacturing and trading of industrial steel products.
TTDI Development	t.b.a.	t.b.a.	t.b.a.	t.b.a.	Main	t.b.a.	Property development.
UMW Oil & Gas Bhd	t.b.a.	t.b.a.	t.b.a.	t.b.a.	Main	t.b.a.	Oil & gas.
Genetic Improvement and Farm Technologies	t.b.a.	t.b.a.	t.b.a.	t.b.a.	Mesdaq	t.b.a.	Provide advance reproduction techniques, animal husbandry, farming proliferations and farm advisory to agriculture, food, biologics and pharmaceuticals industries as well as research institutions.
Nam Cheong Dockyard	t.b.a.	t.b.a.	t.b.a.	t.b.a.	t.b.a.	t.b.a.	Sarawak-based shipbuilder.
Bright Focus	t.b.a.	t.b.a.	104.0m	-	Main	t.b.a.	Infrastructure construction.
JCY Holdings	t.b.a.	t.b.a.	t.b.a.	t.b.a.	Main	t.b.a.	Manufacturer of hard disk components.
Mainfield Corp	t.b.a.	t.b.a.	t.b.a.	t.b.a.	Main	t.b.a.	Road maintenance unit of Bumi Highway Bhd.
Composites Technology Research Malaysia	t.b.a.	t.b.a.	t.b.a.	t.b.a.	t.b.a.	t.b.a.	Design and manufacture composite aircraft parts, as well as aircraft leasing and servicing.

[^] The Final Retail Price has been set at RM1.71 or 95% of the institutional price of RM1.80.

^{^^} This is based on Institutional and Public Offering of 82.7m and 9.5m new shares respectively, before Over-Allotment Option.

t.b.a. – to be advised

Regional Markets Snapshot

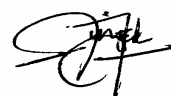
Indices	Close as at 02-Jul-09	% chg vs. previous close	52-wk High	52-wk Low	YTD (%)
Malaysia					
KLCI	1,078.7	(0.1)	1,164.6	801.3	23.0
Asian					
FSSTI Straits	2,320.8	(1.3)	2,997.8	1,455.5	31.7
SET	586.4	(1.9)	753.7	380.1	30.3
Jakarta Comp	2,065.8	0.3	2,343.8	1,089.3	52.4
Philippines SE	2,438.0	0.2	2,778.1	1,684.8	30.2
Hang Seng	18,178.1	(1.1)	23,369.1	10,676.3	26.3
HS China Entr	10,971.9	0.1	13,006.4	4,792.4	39.0
Taiex	6,667.5	1.3	7,439.5	3,955.4	45.2
Kospi	1,411.5	(0.0)	1,627.9	892.2	25.5
Nikkei 225	9,876.2	(0.6)	13,603.3	6,994.9	11.5
BSE Sensex	14,658.5	0.1	15,600.3	7,697.4	51.9
U.S./Others					
DJIA	8,280.7	(2.6)	11,867.1	6,470.0	(5.6)
S&P 500	896.4	(2.9)	1,313.2	666.8	(0.8)
Nasdaq	1,796.5	(2.7)	2,473.2	1,265.5	13.9
FTSE 100	4,234.3	(2.5)	5,649.1	3,460.7	(4.5)

Substantial Shareholders' Transactions*

Co/Shldr	Shares/Transaction	Date/ Price
Alam Maritim		25.06.09
Forum Vest	(1,250,800) Sell	-26.06.09 n.a.
AMMB		23.06.09
EPF	(619,400) Sell	-26.06.09 n.a.
Axiata		23.06.09
EPF	3,726,300 Buy	-26.06.09 n.a.
BCHB		25.06.09
EPF	(5,408,600) Sell	-26.06.09 n.a.
Gamuda		25.06.09
EPF	1,200,000 Buy	-26.06.09 n.a.
IJM Corp		04.05.09
EPF	2,012,200 Buy	-26.06.09 n.a.
IOI Corp		25.06.09
EPF	(3,611,600) Sell	-26.06.09 n.a.
Kinsteel		24.06.09
EPF	(4,000,000) Sell	-26.06.09 n.a.
KLCC Property		26.06.09
EPF	999,400 Buy	n.a.
KNM		25.06.09
EPF	(16,793,000) Sell	-26.06.09 n.a.
Lafarge		19.06.09
EPF	488,300 Buy	-26.06.09 n.a.
MRCB		25.06.09
EPF	(1,708,300) Sell	-26.06.09 n.a.
PetDag		18.06.09
EPF	(1,179,100) Sell	-23.06.09 n.a.
PPB		19.06.09
EPF	(2,908,900) Sell	-26.06.09 n.a.
Public Bank		25.06.09
EPF	(1,659,385) Sell	-26.06.09 n.a.
WCT		24.06.09
EPF	(4,482,700) Sell	-26.06.09 n.a.

*For stocks under our coverage only.

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A handwritten signature in black ink, appearing to read 'Wong Ming Tek', is positioned above the name.

Wong Ming Tek, Head of Research